



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

FINANCIAL STATEMENTS
City of Nettleton, Mississippi

For the year ended
September 30, 2004

CITY OF NETTLETON, MISSISSIPPI

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
<u>BASIC FINANCIAL STATEMENTS:</u>	
Statement of Net Assets – Government-Wide.....	12
Statement of Activities and Changes in Net Assets – Government-Wide	14
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund- Balances to the Government-Wide Statement of Activities and Changes in Net Assets	18
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual - Budgetary Basis	19
Statement of Net Assets - Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	21
Statement of Cash Flows – All Proprietary Funds	22
Notes to Financial Statements	23
<u>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</u>	
Comparative Balance Sheet - General Fund	34
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund.....	35
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	38
Combining Balance Sheet - Special Revenue Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds.....	42
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – City Hall Grant Fund	43
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – All Non-Major Special Revenue Funds -	44
Combining Statement of Net Assets – Enterprise Funds	45
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets- Enterprise Funds	46
Combining Statement of Cash Flows – Enterprise Funds	47
<u>OTHER SUPPLEMENTAL INFORMATION:</u>	
Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections.....	48
Schedule of Surety Bonds for Town Officials.....	49
Schedule of Long-Term Debt.....	50
<u>OTHER REPORTS:</u>	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51



**FRANKS,
FRANKS &
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 355

106 S. CLIFTON STREET

FULTON, MISS. 38843-0355

E-MAIL: foffice@ffjcpa.com

PHONE 662.862.4967

FAX 662.862.9702

SHAREHOLDERS:

RUDOLPH F. FRANKS

GARY M. FRANKS

P. GREG JARRELL

BRYON WILEMON

SCOTT WILSON

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA, MSCPA & PCPS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

We have audited the accompanying general purpose financial statements of the City of Nettleton, Mississippi as of September 30, 2004, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Nettleton, Mississippi's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Nettleton, Mississippi as of September 30, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our examination, nothing came to our attention that caused us to believe that the municipality is not in compliance with the requirements of the State Department of Audit, as set forth in the Municipal Compliance Questionnaire.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of City of Nettleton, Mississippi, taken as a whole. The combining and individual fund financial statements and other supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Nettleton, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2005, on our consideration of the City of Nettleton, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
February 16, 2005

CITY OF NETTLETON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year ended September 30, 2004

This section of the City of Nettleton's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2004. Please read it in conjunction with the City of Nettleton financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City adopted the provisions of Governmental Auditing Standards Board Statement No. 34 in the current fiscal year.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,277,369. Of this amount, \$800,127 may be used to meet the City of Nettleton ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Nettleton governmental funds reported combined ending fund balances of \$402,465, an increase of \$126,947 in comparison to the prior year. Approximately 98% of the combined fund balances, \$402,465 is considered unreserved and is available for spending at the City of Nettleton discretion.
- The City of Nettleton's total debt is \$1,090,441. Debt in the amount of \$3,673 was issued in the current fiscal year, of which \$3,673 was issued for proprietary fund capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City of Nettleton.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Nettleton's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Nettleton's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Nettleton has two Governmental Fund types: the General and Special Revenue Fund.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water & Sewer Fund, and Solid Waste Funds.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the City of Nettleton's financial statements, including the portion of the City of Nettleton they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Nettleton's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the city that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the city operates similar to private businesses: Water & Sewer, and Solid Waste.
Required financial statements	Statement of Net assets; statement of activities	Balance Sheet; Statement of revenues, expenditures, and changes in Fund balances	Statement of Net assets; statement of revenues, Expenses, and Changes in Net assets' statement of Net cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The government-wide statements report information about the City of Nettleton as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Nettleton's net assets and how they have changed. Net assets—the difference between the City of Nettleton's assets and liabilities—is one way to measure the City of Nettleton's financial health, or position.

- Over time, increases or decreases in the City of Nettleton's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Nettleton, the reader should consider additional non-financial factors such as changes in the City of Nettleton's property tax base.
- *Governmental activities* –Most of the City of Nettleton's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Nettleton charges fees to customers to help it cover the costs of certain services it provides. The City of Nettleton's garbage pickup and water and sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Nettleton's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Nettleton exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The City of Nettleton has two kinds of funds:

- **Governmental funds**—most of the City of Nettleton's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Nettleton's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Nettleton utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the City of Nettleton charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary funds—enterprise funds. The City of Nettleton's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Balance Sheet, Statement of Revenues, Expenses and Changes in Retained Earnings, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

While Government Accounting Standards Board (GASB) Statement No. 34 requires the comparison of current and prior year government wide financial information in Management's Discussion and Analysis, it may be omitted in the first year of implementing the standard because the prior-year information is unavailable. In future years, a comparative analysis of government-wide data will be presented. Therefore, Tables A-1 through A-4 list only current year information.

Net assets may serve over time as a useful indicator of a government's financial position. The City of Nettleton's assets exceeded liabilities by \$3,277,369 at the close of the most recent fiscal year.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

A large portion, 75%, of the City's net assets reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

City of Nettleton's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 486,834	\$ 394,861	\$ 881,695
Capital Assets	795,065	2,765,081	3,560,146
Total Assets	1,281,899	3,159,942	4,441,841
Current and Other Liabilities	35,505	83,623	119,128
Long-Term Liabilities	109,556	935,788	1,045,344
Total Liabilities	145,061	1,019,411	1,164,472
Net Assets:			
Invested in Capital Assets, Net of Related Debt	676,757	1,792,934	2,469,691
Restricted	7,551	0	7,551
Unrestricted	452,530	347,597	800,127
Total Net Assets	\$ 1,136,838	\$ 2,140,531	\$ 3,277,369

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The \$800,127 of unrestricted net assets provides excess funds to meet the government's ongoing obligations to citizens and creditors.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Unrestricted net assets of our business-type activities are \$347,597 of the total unrestricted net assets. These resources cannot be used to add to the net asset surplus in governmental activities. The City of Nettleton generally can only use these net assets to finance the continuing operations of the business type activities.

Changes in net assets. Approximately 14.65 percent of the City of Nettleton's revenue comes from property taxes, with 28.41 percent of all revenue coming from some type of tax. (See Table A-2.) Another 28.13 percent comes from fees charged for services, and 33.98 percent is from operating and capital grants and contributions and the remainder is from investment earnings and miscellaneous.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2
Changes in The City of Nettleton's Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 61,283	\$ 481,609	\$ 542,892
Operating Grants & Contributions	0	0	0
Capital Grants & Contributions	362,267	293,681	655,948
General Revenues:			
Property Taxes	282,783	0	282,783
Other Taxes	265,762	0	265,762
Capital Grants Unrestricted	0	0	0
Investment Income	9,780	9,780	19,560
Other	163,411	0	163,411
Total Revenues	1,145,286	785,070	1,930,356
Expenses			
General Government	202,009	0	202,009
Public Safety	324,724	0	324,724
Public Works	113,492	0	113,492
Urban & Economic Development	0	0	0
Culture & Recreation	1,928	0	1,928
Debt Service	5,195	0	5,195
Water & Sewer	0	355,047	355,047
Solid Waste Management	0	94,279	94,279
Total Expenses	647,348	449,326	1,096,674
Excess of Revenue Over Expenses	497,938	335,744	833,682
Transfers	19,635	(19,635)	0
Increase in Net Assets	517,573	316,109	833,682
Net Assets—Beginning restated	619,265	1,824,422	2,443,687
Net Assets—Ending	\$ 1,136,838	\$ 2,140,531	\$ 3,277,369

CITY OF NETTLETON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Governmental Activities

Governmental activities increased the City's net assets by \$517,573, thereby accounting for 62.0 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

The cost of all governmental activities this year was \$647,348. However, the amount taxpayers paid for these activities through city taxes (property taxes) was only \$282,783.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are capital grants and contributions (32%), property taxes (24%), and other taxes (23%).

The total amount of capital grants received by the City of Nettleton exceeded the amount of property taxes paid by the citizens by \$373,165. Thus, the City was able to obtain approximately \$2.30 dollars of grant funds for each \$1.00 dollar of property taxes collected.

The largest expense categories for the City's governmental activities is public safety (50%).

Business-type Activities

Business-type activities increased the City's net assets by \$316,109 accounting for 38.0 percent of the growth in the City's net assets.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$357,746 for water and sewer and \$123,863 for solid waste management. Also, the City received \$293,681 in capital grants and contributions.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$394,914, which comprised the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, reserved and unreserved, to total fund expenditures. Total fund balance represents 61.61% of total fund expenditures. The fund balance of the City's general fund increased by \$119,396 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$7,551, which will be used for future expenditures.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$2,140,531. Changes in net assets, which totaled \$316,109, were as follows: the water & sewer fund increased by \$305,603 and the solid waste management fund increased by \$10,506.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

Comparing the FY2004 original budget General Fund amount of \$673,759 to the final budget amount of \$830,936 shows a net increase of \$157,177. Differences between the original budget and the final budget were mainly related to additional amounts being budgeted for capital outlay related to city hall in the amount of \$120,394.

The City's tax millage for the 2004 fiscal year remained constant, with no increase. This was possible by state and federal grant funds that were received.

FY2004 was the first full year for the City of Nettleton to participate in the Public Employees Retirement System with the State of Mississippi. This participation should have a positive effect on the City of Nettleton for future periods.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2004, amounted to \$3,508,696, net of accumulated depreciation of \$2,039,796. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment.

Table A-3
City of Nettleton's Capital assets

	Governmental Activities	Business-Type Activities	Total
Land	\$ 30,763	\$ 28,160	\$ 58,923
Buildings	605,416	3,764,229	4,369,645
Improvements (other than buildings)			
Machinery & Equipment	714,253	405,671	1,119,924
Infrastructure			
Construction-in-progress			
Accumulated Depreciation	(555,367)	(1,484,429)	(2,039,796)
Total	\$ 795,065	\$ 2,713,631	\$ 3,508,696

CITY OF NETTLETON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

This years major capital asset additions and deletions included:

- Construction of a new city hall building in the amount of \$215,988. This project was funded 100% by capital grant funds.
- Construction related to park renovations and improvements in the amount of \$96,375. This project was partially funded by capital grant funds totaling \$47,700.
- Purchase of equipment for the fire department totaling \$86,589. Grant funds were received in the amount of \$81,945 for the purchase of this equipment.
- Construction projects related to expansion of the water and sewer systems in the amount of \$296,354. These projects were primarily funded with capital grants totaling \$293,681.

Long-term Debt—At year-end, the city had \$1,090,441 in bonds and notes outstanding. More detailed information about the City of Nettleton's long-term liabilities is presented in the notes to the financial statements.

Table A-4
City of Nettleton's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 101,042	\$ 833,958	\$ 935,000
CAP Loans	0	138,175	138,175
Promissory Notes	17,266	0	17,266
Total	\$ 118,308	\$ 972,133	\$ 1,090,441

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2005 budget. The total budgeted appropriations for the City operations is \$845,311. This budget reflects an increase of approximately \$14,375.

The City has obtained numerous grant funding sources that will be received in the next fiscal year that could affect the budget for the fiscal year 2005.

CONTACTING THE CITY OF NETTLETON FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Nettleton finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Nettleton's Finance Department, P.O. Box 1301 Nettleton, MS 38858.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash on Deposit	\$ 399,023	\$ 349,280	\$ 748,303
Money Market, CD's	995	-	995
Due From Other Governments	22,409	-	22,409
Accounts Receivable, net of allowance \$9,125		45,581	45,581
Court Fines Receivable	46,574		46,574
Property Taxes Receivable	11,042		11,042
Other Receivable	6,791		6,791
Due From Other Funds	-		-
TOTAL CURRENT ASSETS	486,834	394,861	881,695
Noncurrent Assets:			
Bond Issue Costs, net of amortization \$5,717		51,450	51,450
Capital Assets:			
Land	30,763	28,160	58,923
Plant, Buildings and Improvements	605,416	3,764,229	4,369,645
Machinery and Equipment	714,253	405,671	1,119,924
Accumulated Depreciation	(555,367)	(1,484,429)	(2,039,796)
TOTAL NONCURRENT ASSETS	795,065	2,765,081	3,560,146
TOTAL ASSETS	\$ 1,281,899	\$ 3,159,942	\$ 4,441,841

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 20,202	\$ 16,563	\$ 36,765
Due to Other Funds	-	-	-
Current Maturities of Long-Term Debt			
General Obligation Bonds	3,850	31,150	35,000
Notes Payable	4,902	5,195	10,097
Customer Deposits	-	27,785	27,785
Accrued Compensated Absences	6,551	2,930	9,481
TOTAL CURRENT LIABILITIES	35,505	83,623	119,128
Noncurrent Liabilities:			
General Obligation Bonds, net of current maturities	97,192	802,808	900,000
Notes Payable, net of current maturities	12,364	132,980	145,344
TOTAL NONCURRENT LIABILITIES	109,556	935,788	1,045,344
TOTAL LIABILITIES	145,061	1,019,411	1,164,472
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	676,757	1,792,934	2,469,691
Restricted for:			
Special Revenue Projects	7,551		7,551
Unrestricted	452,530	347,597	800,127
TOTAL NET ASSETS	\$ 1,136,838	\$ 2,140,531	\$ 3,277,369

See accompanying notes to financial statements.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 - FIXED ASSETS (continued)

Business-type Activities:

Water and Sewer	\$ 100,463
Solid Waste	<u>6,792</u>

Total Depreciation Expense – Business-type Activities	<u>\$ 107,255</u>
---	-------------------

NOTE 4 – RECEIVABLES

Receivables at September 30, 2004, consisted primarily of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts has been recorded at September 30, 2004 in the amount of \$9,125.

NOTE 5 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2004:

	<u>General Obligation Bonds Payable</u>	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/03	\$ 970,000	\$ 158,306	\$ 25,348	\$ 1,153,654
Add: Bonds and Other Long-Term Debt Acquired	0	3,673	0	3,673
Less: Bonds and Other Long-Term Debt Retired	<u>35,000</u>	<u>6,538</u>	<u>25,348</u>	<u>66,886</u>
Bonds and Other Long-Term Debt at 9/30/04	<u>\$ 935,000</u>	<u>\$ 155,441</u>	<u>\$ 0</u>	<u>\$ 1,090,441</u>

Bonds and other long-term debt at September 30, 2004 are comprised of the following issues:

General Obligation Bonds:

\$970,000 Refunding Bonds due in annual installments of \$35,000 to \$70,000 through December 1, 2022; interest is variable (currently 2.0 percent)	<u>\$ 935,000</u>
---	-------------------

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5 - LONG-TERM DEBT (continued)

Notes Payable:

\$24,968 Note due in 60 monthly installments of \$470 through March 2008; interest at 4.90 percent	\$ 17,266
\$138,175 Note due in over a 20 year term through February 2024; interest at 3.00 percent	<u>138,175</u>
	<u>\$ 155,441</u>

There are a number of limitations and restrictions contained in the bond indentures. The City is in compliance with all significant limitations and restrictions.

The Annual requirements to amortize all debt outstanding as of September 30, 2004 including interest payments of \$520,588 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 8,752	\$ 5,167	\$ 36,345	\$ 39,819	\$ 45,097	\$ 44,986
2006	8,998	4,825	36,503	38,882	45,501	43,707
2007	9,256	4,458	36,666	37,831	45,922	42,289
2008	6,210	4,112	41,284	36,609	47,494	40,721
2009	4,400	3,944	41,431	35,196	45,831	39,140
2010 - 2014	23,650	17,048	223,415	151,704	247,065	168,752
2015 - 2019	29,700	11,163	277,662	98,912	307,362	110,075
2020 - 2024	<u>27,342</u>	<u>3,113</u>	<u>278,827</u>	<u>27,805</u>	<u>306,169</u>	<u>30,918</u>
	<u>\$ 118,308</u>	<u>\$ 53,830</u>	<u>\$ 972,133</u>	<u>\$ 466,758</u>	<u>\$ 1,090,441</u>	<u>\$ 520,588</u>

NOTE 6 - LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

NOTE 7- DEFINED BENEFIT PENSION PLAN

Plan Description - The City of Nettleton contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004**

NOTE 7- DEFINED BENEFIT PENSION PLAN (continued)

Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the City of Nettleton is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Nettleton's contributions to PERS for the years ending September 30, 2004 was \$55,878 equal to the required contributions for the year.

NOTE 8- FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$1,413 less than cash revenues.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2004 and 2003

	2004	2003
<u>ASSETS:</u>		
Cash	\$ 391,472	\$ 271,008
Investments	995	995
Due From Other Governments	22,409	21,340
Other Receivables	<u>6,791</u>	<u>6,447</u>
Total Assets	\$ <u>421,667</u>	\$ <u>299,790</u>
<u>LIABILITIES:</u>		
Accounts Payable & Accrued Expenses	\$ 20,202	\$ 18,347
Accrued Compensated Absences	<u>6,551</u>	<u>5,925</u>
Total Liabilities	<u>26,753</u>	<u>24,272</u>
<u>FUND BALANCE:</u>		
Unreserved	<u>394,914</u>	<u>275,518</u>
Total Fund Balance	<u>394,914</u>	<u>275,518</u>
Total Liabilities and Fund Balance	\$ <u>421,667</u>	\$ <u>299,790</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -GENERAL FUND
Year Ended September 30, 2004 and 2003

	TOTALS	TOTALS
	2004	2003
REVENUES:		
Ad Valorem Taxes:		
Real & Personal	\$ 271,741	\$ 253,472
Penalties and Interest	4,404	2,823
Licenses and Permits	49,207	37,985
State of Mississippi:		
Sales Tax	218,456	207,523
Municipal Aid	1,007	1,007
Gasoline Tax	5,192	5,843
Homestead Reimbursement	6,878	6,498
In Lieu - TVA	18,575	15,833
Fire Protection Allocation	8,255	8,733
Law Enforcement Assistance	0	695
Monroe County:		
Pro Rata Tax	15,555	9,880
In Lieu - Other:		
Housing Authority	7,984	7,125
Fines and Forfeitures	61,283	41,824
Rentals	27,566	10,600
Interest	9,780	7,614
Sale of Land & Equipment	52,138	5,173
Sundry	13,956	15,645
Total Revenues	\$ <u>771,977</u>	\$ <u>638,273</u>
EXPENDITURES:		
General Government:		
Personal Services	\$ 103,622	\$ 95,712
Supplies	8,489	8,631
Other Services and Charges	80,479	71,389
Capital Outlay	150	51,684
Total General Government	\$ <u>192,740</u>	\$ <u>227,416</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -GENERAL FUND
Year Ended September 30, 2004 and 2003

	TOTALS	TOTALS
	2004	2003
Public Safety:		
Police Department:		
Personal Services	\$ 183,348	\$ 159,146
Supplies	37,021	28,667
Other Services and Charges	9,584	11,890
Capital Outlay	6,291	24,844
Total	236,244	224,547
Fire Department:		
Personal Services	682	491
Supplies	4,487	8,284
Other Services and Charges	18,154	18,396
Capital Outlay	650	4,306
Total	23,973	31,477
Total Public Safety	260,217	256,024
Public Works:		
Street Department:		
Personal Services	60,691	59,911
Supplies	11,762	10,430
Other Services and Charges	31,455	30,563
Capital Outlay	6,641	0
Total	110,549	100,904
Animal Control:		
Other Services and Charges	8,389	7,791
Total	8,389	7,791
Total Public Works	118,938	108,695
Park and Recreational:		
Capital Outlay	30,125	0
Total Park & Recreational	30,125	0

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -GENERAL FUND
Year Ended September 30, 2004 and 2003

	TOTALS	TOTALS
	2004	2003
Debt Service:		
Principal Retired	\$ 33,866	\$ 111,241
Interest Expense	5,195	13,211
Total Debt Service	39,061	124,452
Total Expenditures	641,081	716,587
Excess (Deficiency) of Revenues Over (Under) Expenditures	130,896	(78,314)
Other Financing Sources (Uses):		
Proceeds from Issuance of Debt or Leases	0	157,782
Transfers (to) from Other Funds	(11,500)	14,400
Total Other Financing Sources (Uses)	(11,500)	172,182
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	119,396	93,868
Fund Balance:		
October 1,	275,518	181,650
September 30,	\$ 394,914	\$ 275,518

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS:</u>			
Ad Valorem Taxes:			
Real & Personal	\$ 266,700	\$ 271,308	\$ 4,608
Penalties and Interest	4,350	4,404	54
Licenses and Permits	46,600	48,863	2,263
State of Mississippi:			
Sales Tax	217,804	217,820	16
Municipal Aid	1,000	1,007	7
Gasoline Tax	5,150	5,192	42
Homestead Reimbursement	6,800	6,878	78
In Lieu - TVA	18,500	18,575	75
Fire Protection Allocation	8,230	8,255	25
Law Enforcement Assistance	0	0	0
Monroe County:			
Pro Rate Tax	15,500	15,555	55
In Lieu - Other:			
Housing Authority	7,900	7,984	84
Fines and Forfeitures	61,000	61,283	283
Rentals	26,900	27,566	666
Interest	9,200	9,780	580
Sale of Land & Equipment	52,100	52,138	38
Sundry	13,825	13,956	131
Total Receipts	\$ <u>761,559</u>	\$ <u>770,564</u>	\$ <u>9,005</u>
<u>EXPENDITURES:</u>			
General Government:			
Personal Services	104,050	103,622	428
Supplies	9,400	8,489	911
Other Services and Charges	87,275	80,479	6,796
Capital Outlay	120,394	150	120,244
Total	<u>321,119</u>	<u>192,740</u>	<u>128,379</u>
Public Safety:			
Police Department:			
Personal Services	190,221	183,348	6,873
Supplies	37,300	37,021	279
Other Services and Charges	10,700	9,584	1,116
Capital Outlay	7,500	6,291	1,209
Total	<u>245,721</u>	<u>236,244</u>	<u>9,477</u>

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Fire Department:			
Personal Services	\$ 700	\$ 682	\$ 18
Supplies	4,950	4,487	463
Other Services and Charges	20,050	18,154	1,896
Capital Outlay	800	650	150
Total	<u>26,500</u>	<u>23,973</u>	<u>2,527</u>
Total Public Safety	<u>272,221</u>	<u>260,217</u>	<u>12,004</u>
Public Works:			
Street Department:			
Personal Services	61,767	60,691	1,076
Supplies	13,300	11,762	1,538
Other Services and Charges	33,650	31,455	2,195
Capital Outlay	7,000	6,641	359
Total	<u>115,717</u>	<u>110,549</u>	<u>5,168</u>
Animal Control:			
Other Services and Charges	9,200	8,389	811
Total	<u>9,200</u>	<u>8,389</u>	<u>811</u>
Total Public Works	<u>124,917</u>	<u>118,938</u>	<u>5,979</u>
Park and Recreational:			
Capital Outlay	34,800	30,125	4,675
Total Park & Recreational	<u>34,800</u>	<u>30,125</u>	<u>4,675</u>
Debt Service:			
Principal Retired	35,000	33,866	1,134
Interest Expense	42,879	5,195	37,684
Total Debt Service	<u>77,879</u>	<u>39,061</u>	<u>38,818</u>
Total Expenditures	<u>830,936</u>	<u>641,081</u>	<u>189,855</u>

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(69,377)</u>	<u>129,483</u>	<u>198,860</u>
Other Financing Sources (Uses):			
Proceeds from Issuance of Debt or Leases	0	0	0
Transfers (to) From Other Funds	<u>14,750</u>	<u>(11,500)</u>	<u>(26,250)</u>
Total Other Financing Sources (Uses)	<u>14,750</u>	<u>(11,500)</u>	<u>(26,250)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(54,627)	117,983	172,610
Fund Balance:			
October 1,	<u>275,518</u>	<u>275,518</u>	<u>0</u>
(Non-GAAP Budgetary Basis) September 30,	\$ <u>220,891</u>	393,501	\$ <u>172,610</u>
Adjustments to GAAP Basis:			
Accrued Revenue		<u>1,413</u>	
Fund Balance (GAAP) September 30,		\$ <u>394,914</u>	

CITY OF NETTLETON, MISSISSIPPI
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
September 30, 2004

	LLEBG FUND	FEMA GRANT FUND	UNEMPLOYMENT TRUST FUND	HOMELAND SECURITY FUND	CITY HALL GRANT FUND	PARK GRANT FUND	RURAL IMPACT GRANT FUND	BULLETPROOF VEST FUND	TOTALS	
									2004	2003
<u>ASSETS:</u>										
Cash	\$ 40	\$ 5,109	\$ 2,402	\$	\$	\$	\$	\$	\$ 7,551	\$ 0
Notes Receivable									0	
Total Assets	<u>40</u>	<u>5,109</u>	<u>2,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,551</u>	<u>0</u>
<u>LIABILITIES:</u>										
Accounts Payable									0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND BALANCE:</u>										
Unreserved	<u>40</u>	<u>5,109</u>	<u>2,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,551</u>	<u>0</u>
Total Liabilities and Fund Balance	\$ <u>40</u>	\$ <u>5,109</u>	\$ <u>2,402</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>7,551</u>	\$ <u>0</u>

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
Year Ended September 30, 2004

	LLEBG FUND	FEMA GRANT FUND	UNEMPLOYMENT TRUST FUND	HOMELAND SECURITY FUND	CITY HALL GRANT FUND	PARK GRANT FUND	RURAL IMPACT GRANT FUND	BULLETPROOF VEST FUND	TOTALS	
									2004	2003
<u>REVENUES:</u>										
Intergovernmental	\$ 3,303	\$ 81,945	\$	\$	\$ 215,988	\$ 47,700	\$ 12,618	\$ 713	\$ 362,267	\$ 0
Interest									0	0
Other									0	0
Total Revenues	<u>3,303</u>	<u>81,945</u>	<u>0</u>	<u>0</u>	<u>215,988</u>	<u>47,700</u>	<u>12,618</u>	<u>713</u>	<u>362,267</u>	<u>0</u>
<u>EXPENDITURES:</u>										
Supplies									0	0
Other Services and Charges									0	0
Capital Outlay	<u>3,630</u>	<u>85,940</u>			<u>215,988</u>	<u>66,250</u>	<u>12,618</u>	<u>1,425</u>	<u>385,851</u>	<u>0</u>
Total Expenditures	<u>3,630</u>	<u>85,940</u>	<u>0</u>	<u>0</u>	<u>215,988</u>	<u>66,250</u>	<u>12,618</u>	<u>1,425</u>	<u>385,851</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(327)	(3,995)	0	0	0	(18,550)	0	(712)	(23,584)	0
<u>OTHER SOURCES (USES):</u>										
Transfers from (to) Other Funds	<u>367</u>	<u>9,104</u>	<u>2,402</u>	<u>0</u>	<u>0</u>	<u>18,550</u>	<u>0</u>	<u>712</u>	<u>31,135</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Uses	40	5,109	2,402	0	0	0	0	0	7,551	0
Fund Balance - October 1,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - September 30,	<u>\$ 40</u>	<u>\$ 5,109</u>	<u>\$ 2,402</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,551</u>	<u>\$ 0</u>

CITY OF NETTLETON, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
CITY HALL GRANT FUND
Year Ended September 30, 2004

	F.Y.E. 9/30/04		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental	\$ 250,000	\$ 215,988	\$ (34,012)
Interest	0	0	0
Other	0	0	0
TOTAL REVENUES	250,000	215,988	(34,012)
EXPENDITURES:			
Supplies	0	0	0
Other Services and Charges	0	0	0
Capital Outlay	250,000	215,988	34,012
TOTAL EXPENDITURES	250,000	215,988	34,012
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	0
OTHER FINANCING SOURCES (USES):			
Transfers to Other Funds	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	0	0	0
FUND BALANCE (NON-GAAP BUDGETARY BASIS) -			
Beginning of Year	0	0	0
FUND BALANCE (NON-GAAP BUDGETARY BASIS) -			
End of Year	\$ 0	\$ 0	\$ 0
Adjustments to Generally Accepted Accounting Principles:			
Revenue Accruals		0	
FUND BALANCE (GAAP BASIS) -			
End of Year		\$ 0	

CITY OF NETTLETON, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended September 30, 2004

	F.Y.E. 9/30/04		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental	\$ 321,603	\$ 146,279	\$ (175,324)
Interest	0	0	0
Other	0	0	0
TOTAL REVENUES	321,603	146,279	(175,324)
EXPENDITURES:			
Supplies	0	0	0
Other Services and Charges	1,000	0	1,000
Capital Outlay	353,303	169,863	183,440
TOTAL EXPENDITURES	354,303	169,863	184,440
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,700)	(23,584)	9,116
OTHER FINANCING SOURCES (USES):			
Transfers From Other Funds	32,700	31,135	(1,565)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	0	7,551	7,551
FUND BALANCE (NON-GAAP BUDGETARY BASIS) -			
Beginning of Year	0	0	0
FUND BALANCE (NON-GAAP BUDGETARY BASIS) -			
End of Year	\$ 0	\$ 7,551	\$ 7,551
Adjustments to Generally Accepted Accounting Principles:			
Revenue Accruals		0	
FUND BALANCE (GAAP BASIS) -			
End of Year		\$ 7,551	

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
September 30, 2004

	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL ENTERPRISE FUNDS
ASSETS:			
<u>Current:</u>			
Cash	\$ 10,056	\$ 339,224	\$ 349,280
Accounts Receivables, Net of Provision for Bad Debts	12,196	33,385	45,581
Total Current Assets	22,252	372,609	394,861
<u>Noncurrent Assets:</u>			
<u>Fixed Assets:</u>			
Land		28,160	28,160
Water & Sewer System		3,764,229	3,764,229
Machinery & Equipment	37,742	367,929	405,671
Accumulated Depreciation	(10,714)	(1,473,715)	(1,484,429)
Total Noncurrent Assets	27,028	2,686,603	2,713,631
<u>Other:</u>			
Bond Issue Cost, Net of Accum. Amortization of \$5,717		51,450	51,450
Total Other Assets		51,450	51,450
Total Assets	\$ 49,280	\$ 3,110,662	\$ 3,159,942
LIABILITIES:			
<u>Current Liabilities:</u>			
Current Maturities of Long-term Debt	\$	\$ 36,345	\$ 36,345
Account Payable & Accrued Expenses	10,072	6,491	16,563
Customer Deposits		27,785	27,785
Total Current Liabilities	10,072	70,621	80,693
<u>Noncurrent Liabilities:</u>			
Long-Term Debt, Less Current Maturities		935,788	935,788
Total Noncurrent Liabilities		935,788	935,788
<u>Other Liabilities:</u>			
Accrued Compensated Absences		2,930	2,930
Due to Other Funds		-	-
Total Other Liabilities		2,930	2,930
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	27,028	1,750,815	1,777,843
Unrestricted	12,180	350,508	362,688
Total Net Assets	\$ 39,208	\$ 2,101,323	\$ 2,140,531

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - ENTERPRISE FUNDS
Year Ended September 30, 2004

	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL ENTERPRISE FUNDS
<u>OPERATING REVENUE:</u>			
Charges For Services	\$ 123,863	\$ 357,746	\$ 481,609
Total Operating Revenue	<u>123,863</u>	<u>357,746</u>	<u>481,609</u>
<u>OPERATING EXPENSES:</u>			
Operations	87,487	193,986	281,473
Maintenance	0	16,010	16,010
Depreciation and Amortization	<u>6,792</u>	<u>100,463</u>	<u>107,255</u>
Total Operating Expenses	<u>94,279</u>	<u>310,459</u>	<u>404,738</u>
Net Operating Income (Loss)	<u>29,584</u>	<u>47,287</u>	<u>76,871</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>			
Interest Income		9,780	9,780
Grant Income From Other Governments		293,681	293,681
Interest Expense		<u>(44,588)</u>	<u>(44,588)</u>
Net Non-Operating Income	<u>0</u>	<u>258,873</u>	<u>258,873</u>
Income Before Operating Transfers	29,584	306,160	335,744
Operating Transfers Out	<u>(19,078)</u>	<u>(557)</u>	<u>(19,635)</u>
Change in Net Assets	10,506	305,603	316,109
TOTAL NET ASSETS - BEGINNING	<u>28,702</u>	<u>1,795,720</u>	<u>1,824,422</u>
TOTAL NET ASSETS - ENDING	\$ <u>39,208</u>	\$ <u>2,101,323</u>	\$ <u>2,140,531</u>

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
Year Ended September 30, 2004

	BUSINESS-TYPE ACTIVITIES-- PROPRIETARY FUND		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 115,297	\$ 361,914	\$ 477,211
Payments to Suppliers	(85,666)	(60,138)	(145,804)
Payments to Employees	-	(96,890)	(96,890)
Other Receipts (Payments)	-	(51,237)	(51,237)
Net Cash Provided (Used) by Operating Activities	29,631	153,649	183,280
Cash Flows from Noncapital Financing Activities:			
Transfers In (Out)	(19,078)	(557)	(19,635)
Net Cash Provided (Used) by Noncapital Financing Activities	(19,078)	(557)	(19,635)
Cash Flows from Capital and Related Financing Activities:			
Proceeds From Capital Debt	-	3,673	3,673
Proceeds From Capital Grants	-	293,681	293,681
Purchases of Capital Assets	(15,940)	(297,841)	(313,781)
Principal Paid on Capital Debt	-	(33,019)	(33,019)
Interest Paid on Capital Debt	-	(44,588)	(44,588)
Other Receipts (Payments)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,940)	(78,094)	(94,034)
Cash Flows From Investing Activities:			
Interest and Dividends	-	9,780	9,780
Net Cash Provided (Used) by Investing Activities	-	9,780	9,780
Net Increase (Decrease) In Cash Cash Equivalents	(5,387)	84,778	79,391
Cash and Cash Equivalents--Beginning	15,443	254,446	269,889
Cash and Cash Equivalents--Ending	\$ 10,056	\$ 339,224	\$ 349,280
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 29,584	\$ 47,287	\$ 76,871
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,791	100,463	107,254
Provision for Uncollectible Accounts		2,744	2,744
Change in Assets and Liabilities:			
Accounts Receivable	(8,566)	2,667	(5,899)
Accounts Payable	1,822	(227)	1,595
Accrued Compensated Absences	-	(786)	(786)
Customer Deposits	-	1,501	1,501
Net Cash Provided (Used) by Operating Activities	\$ 29,631	\$ 153,649	\$ 183,280

See Notes to Financial Statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
For the Fiscal Year Ended September 30, 2004

	MUNICIPAL	TOTAL
--	-----------	-------

ASSESSED VALUATION AND MILLAGE:

Realty	\$ 5,196,692	
Personal & Public Utility	1,501,254	
Personal Auto	2,004,543	
Less: Exemption for over 65	<u>1,018,526</u>	
Total Municipal at 34.00 Mills	\$ <u>7,683,963</u>	\$ 261,255

COLLECTION ADJUSTMENTS:

Add: Municipal Homestead Reimbursement	6,980
Prior Year Tax Collections	16,781
Heavy Truck Tags	8,005
Less: Delinquent Taxes	(11,042)
Changes in Assessed Valuation	(263)
Collection Costs by County	<u>(3,580)</u>
TOTAL TO BE ACCOUNTED FOR	\$ <u><u>278,136</u></u>

		<u>TAXES</u>		<u>HOMESTEAD</u>	
<u>COLLECTION CREDITS TO FUNDS:</u>					
Municipal General Fund	\$	271,085	\$	6,980	
		<u> </u>		<u> </u>	
Total	\$	<u><u>271,085</u></u>	\$	<u><u>6,980</u></u>	\$ <u><u>278,065</u></u>

Balance Represented By:		
Unaccounted For - Undersettled	\$	<u>71</u>
TOTAL ACCOUNTED FOR	\$	<u><u>278,136</u></u>

CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2004

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
William M. Tapscott	City Clerk	U.S. Fidelity & Guaranty Company	\$50,000
Dana F. Grubbs	Assistant Clerk	U.S. Fidelity & Guaranty Company	\$50,000
Annie Inmon	Assistant Clerk	U.S. Fidelity & Guaranty Company	\$10,000
Gail Riley	Part-time Clerk	Travelers Casualty & Surety Company	\$10,000
Paul L. Young	Chief of Police	U.S. Fidelity & Guaranty Company	\$50,000
Thomas W. Adams	Chief of Police	U.S. Fidelity & Guaranty Company	\$50,000
Brandon Presley	Mayor	U.S. Fidelity & Guaranty Company	\$50,000
Charles Morris	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Jimmy Moore	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Tommy Clay	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Kirk Lindsey	Alderman	U.S. Fidelity & Guaranty Company	\$25,000
Jimmy Rye	Alderman	U.S. Fidelity & Guaranty Company	\$25,000

CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the year ended September 30, 2004

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING OCTOBER 1, 2003</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR BORROWED</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING SEPTEMBER 30, 2004</u>
Notes Payable:				
Bancorpsouth	\$ 21,935	\$ 0	\$ 4,669	\$ 17,266
CAP Loan	136,371	3,673	1,869	138,175
BBi Lease Payable	<u>25,348</u>	<u></u>	<u>25,348</u>	<u>0</u>
TOTAL	\$ <u>183,654</u>	\$ <u>3,673</u>	\$ <u>31,886</u>	\$ <u>155,441</u>

Bonds Payable:

Series 2002, Refunding Bonds	\$ <u>970,000</u>	\$ <u>0</u>	\$ <u>35,000</u>	\$ <u>935,000</u>
TOTAL	\$ <u>970,000</u>	\$ <u>0</u>	\$ <u>35,000</u>	\$ <u>935,000</u>

OTHER REPORTS



**FRANKS,
FRANKS &
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 355

106 S. CLIFTON STREET

FULTON, MISS. 38843-0355

E-MAIL: foffice@ffjcpa.com

PHONE 662.862.4967

FAX 662.862.9702

SHAREHOLDERS:

RUDOLPH F. FRANKS

GARY M. FRANKS

P. GREG JARRELL

BRYON WILEMON

SCOTT WILSON

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA, MSCPA & PCPS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

We have audited the general purpose financial statements of the City of Nettleton, Mississippi as of and for the year ended September 30, 2004, and have issued our report thereon dated February 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Nettleton, Mississippi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nettleton, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Mayor, Board of Alderman, Office of the State Auditor of the State of Mississippi, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Franks, Franks & Jarrell, P.A.

Franks, Franks & Jarrell, P.A.
February 16, 2005

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE
September 30, 2004

FUNCTIONS/ PROGRAMS	Expenses	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Assets		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT		
						Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities:								
General Government	\$ 202,009	\$	\$	\$ 215,988	\$ 215,988	\$ 13,979	\$	\$ 13,979
Public Safety	324,724	61,283		98,579	159,862	(164,862)		(164,862)
Public Works	113,492				-	(113,492)		(113,492)
Urban and Economic Development	-				-	-		-
Culture and Recreation	1,928			47,700	47,700	45,772		45,772
Debt Service	5,195				-	(5,195)		(5,195)
TOTAL GOVERNMENTAL ACTIVITIES	647,348	61,283	-	362,267	423,550	(223,798)	-	(223,798)
Business-Type Activities:								
Water and Sewer	355,047	357,746		293,681	651,427		296,380	296,380
Solid Waste Management	94,279	123,863			123,863		29,584	29,584
TOTAL BUSINESS-TYPE ACTIVITIES	449,326	481,609	-	293,681	775,290	-	325,964	325,964
TOTAL PRIMARY GOVERNMENT	\$ 1,096,674	\$ 542,892	\$ -	\$ 655,948	\$ 1,198,840	\$ (223,798)	\$ 325,964	\$ 102,166
GENERAL REVENUES:								
Taxes:								
Property Taxes, Levied for General Purposes						\$ 282,783	\$	\$ 282,783
Sales Taxes						218,456		218,456
County Pro Rata Taxes						15,555		15,555
Licenses and Permits						49,207		49,207
In Lieu Taxes						26,559		26,559
Gasoline Taxes & Other Taxes						5,192		5,192
Homestead Reimbursement						6,878		6,878
Grants and Contributions not Restricted to Specific Programs						1,007		1,007
Investment Earnings						9,780	9,780	19,560
Miscellaneous						106,319		106,319
Transfers						19,635	(19,635)	-
TOTAL GENERAL REVENUES AND TRANSFERS						741,371	(9,855)	731,516
CHANGE IN NET ASSETS						517,573	316,109	833,682
NET ASSETS--BEGINNING, as previously stated						279,474	1,824,422	2,103,896
PRIOR PERIOD ADJUSTMENT						339,791	-	339,791
NET ASSETS--BEGINNING, as restated						619,265	1,824,422	2,443,687
NET ASSETS--ENDING						\$ 1,136,838	\$ 2,140,531	\$ 3,277,369

See accompanying notes to financial statements.

CITY OF NETTLETON, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	General Fund	City Hall Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>				
Cash on Deposit	\$ 391,472	\$	\$ 7,551	\$ 399,023
Money Market, CD's	995			995
Due From Other Governments	22,409			22,409
Other Receivables	6,791			6,791
Due From Other Funds				-
TOTAL ASSETS	\$ 421,667	\$ -	\$ 7,551	\$ 429,218
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>Liabilities:</u>				
Accounts Payable and Accrued Expenses	\$ 20,202	\$	\$	\$ 20,202
Due to Other Funds				-
Due to Other Governments				-
Accrued Compensated Absences	6,551			6,551
TOTAL LIABILITIES	26,753	-	-	26,753
<u>FUND BALANCES:</u>				
Unrestricted:				
Special Revenue Funds			7,551	7,551
Undesignated	394,914			394,914
TOTAL FUND BALANCES	\$ 394,914	\$ -	\$ 7,551	\$ 402,465

See accompanying notes to financial statements.

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For the Year Ended September 30, 2004

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 402,465
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	795,065
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(118,308)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	11,042
Accrual of court fine revenues to qualify as financial resources.	46,574
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>1,136,838</u></u>

See accompanying notes to financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	General Fund	City Hall Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
General Property Taxes	\$ 271,741	\$	\$	271,741
Sales and Use Taxes	218,456			218,456
Licenses and Permits	49,207			49,207
In Lieu of Taxes	7,984			7,984
Penalties and Interest	4,404			4,404
Intergovernmental Revenues	55,462			55,462
Rentals	27,566			27,566
Fines and Forfeits	61,283			61,283
Interest Revenues	9,780			9,780
Sale of Land and Equipment	52,138			52,138
Grant Income		215,988	146,279	362,267
Miscellaneous Revenues	13,956			13,956
TOTAL REVENUES	771,977	215,988	146,279	1,134,244
EXPENDITURES:				
Current:				
General Government	192,740			192,740
Public Safety	260,217			260,217
Public Works	118,938			118,938
Culture and Recreation	30,125			30,125
Other Functions				0
Capital Projects		215,988	169,863	385,851
Debt Service	39,061			39,061
TOTAL EXPENDITURES	641,081	215,988	169,863	1,026,932
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	130,896	0	(23,584)	107,312
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(12,350)			(12,350)
Transfers from Other Funds	850		31,135	31,985
TOTAL OTHER FINANCING SOURCES (USES)	(11,500)	0	31,135	19,635
NET CHANGE IN FUND BALANCES	119,396	0	7,551	126,947
FUND BALANCES - Beginning	275,518	0	0	275,518
FUND BALANCES - Ending	\$ 394,914	\$ 0	\$ 7,551	\$ 402,465

See accompanying notes to financial statements.

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT
OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 126,947
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	429,558
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(83,840)
Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.	11,042
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
This amount represents bond proceeds and premiums.	-
This amount represents long-term debt repayments and issuance costs.	<u>33,866</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 517,573</u>

See accompanying notes to financial statements.

CITY OF NETTLETON, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2004

	Budget			Variance with
	Original	Final	Actual	Final Budget Over (Under)
REVENUES:				
General Property Taxes	\$ 283,650	\$ 266,700	\$ 271,308	\$ 4,608
Sales and Use Taxes	201,304	217,804	217,820	16
Licenses and Permits	45,200	46,600	48,863	2,263
In Lieu of Taxes	15,000	7,900	7,984	84
Penalties and Interest	1,800	4,350	4,404	54
Intergovernmental Revenues	32,630	55,180	55,462	282
Rentals	11,300	26,900	27,566	666
Fines and Forfeits	40,700	61,000	61,283	283
Interest Revenues	6,000	9,200	9,780	580
Sale of Land and Equipment	3,000	52,100	52,138	38
Miscellaneous Revenues	3,600	13,825	13,956	131
TOTAL REVENUES	644,184	761,559	770,564	9,005
EXPENDITURES:				
Current:				
General Government	200,807	321,119	192,740	128,379
Public Safety	250,665	272,221	260,217	12,004
Public Works	113,408	124,917	118,938	5,979
Culture and Recreation	31,000	34,800	30,125	4,675
Capital Projects				
Debt Service	77,879	77,879	39,061	38,818
TOTAL EXPENDITURES	673,759	830,936	641,081	189,855
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,575)	(69,377)	129,483	198,860
OTHER FINANCING SOURCES (USES):				
Transfers (to) from Other Funds	92,279	14,750	(11,500)	(26,250)
TOTAL OTHER FINANCING SOURCES (USES)	92,279	14,750	(11,500)	(26,250)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ 62,704	\$ (54,627)	\$ 117,983	\$ 172,610

See accompanying notes to financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2004

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
ASSETS:			
<u>Current:</u>			
Cash	\$ 10,056	\$ 339,224	\$ 349,280
Accounts Receivables, Net of Provision for Bad Debts	12,196	33,385	45,581
Total Current Assets	22,252	372,609	394,861
<u>Noncurrent Assets:</u>			
<u>Fixed Assets:</u>			
Land		28,160	28,160
Water & Sewer System		3,764,229	3,764,229
Machinery & Equipment	37,742	367,929	405,671
Accumulated Depreciation	(10,714)	(1,473,715)	(1,484,429)
Total Noncurrent Assets	27,028	2,686,603	2,713,631
<u>Other:</u>			
Bond Issue Cost, Net of Accum. Amortization of \$5,717		51,450	51,450
Total Other Assets		51,450	51,450
Total Assets	\$ 49,280	\$ 3,110,662	\$ 3,159,942
LIABILITIES:			
<u>Current Liabilities:</u>			
Current Maturities of Long-term Debt	\$	\$ 36,345	\$ 36,345
Account Payable & Accrued Expenses	10,072	6,491	16,563
Customer Deposits		27,785	27,785
Total Current Liabilities	10,072	70,621	80,693
<u>Noncurrent Liabilities:</u>			
Long-Term Debt, Less Current Maturities		935,788	935,788
Total Noncurrent Liabilities		935,788	935,788
<u>Other Liabilities:</u>			
Accrued Compensated Absences Due to Other Funds		2,930	2,930
Total Other Liabilities		2,930	2,930
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	27,028	1,750,815	1,777,843
Unrestricted	12,180	350,508	362,688
Total Net Assets	\$ 39,208	\$ 2,101,323	\$ 2,140,531

See Notes to Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
Year Ended September 30, 2004

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<u>OPERATING REVENUE:</u>			
Charges For Services	\$ 123,863	\$ 357,746	\$ 481,609
Total Operating Revenue	<u>123,863</u>	<u>357,746</u>	<u>481,609</u>
<u>OPERATING EXPENSES:</u>			
Operations	87,487	193,986	281,473
Maintenance	0	16,010	16,010
Depreciation and Amortization	<u>6,792</u>	<u>100,463</u>	<u>107,255</u>
Total Operating Expenses	<u>94,279</u>	<u>310,459</u>	<u>404,738</u>
Net Operating Income (Loss)	<u>29,584</u>	<u>47,287</u>	<u>76,871</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>			
Interest Income		9,780	9,780
Grant Income From Other Governments		293,681	293,681
Interest Expense		<u>(44,588)</u>	<u>(44,588)</u>
Net Non-Operating Income	<u>0</u>	<u>258,873</u>	<u>258,873</u>
Income Before Operating Transfers	29,584	306,160	335,744
Operating Transfers Out	<u>(19,078)</u>	<u>(557)</u>	<u>(19,635)</u>
Change in Net Assets	10,506	305,603	316,109
TOTAL NET ASSETS - BEGINNING	<u>28,702</u>	<u>1,795,720</u>	<u>1,824,422</u>
TOTAL NET ASSETS - ENDING	\$ <u>39,208</u>	\$ <u>2,101,323</u>	\$ <u>2,140,531</u>

See Notes to Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2004

	BUSINESS-TYPE ACTIVITIES-- PROPRIETARY FUND		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 115,297	\$ 361,914	\$ 477,211
Payments to Suppliers	(85,666)	(60,138)	(145,804)
Payments to Employees	-	(96,890)	(96,890)
Other Receipts (Payments)	-	(51,237)	(51,237)
Net Cash Provided (Used) by Operating Activities	29,631	153,649	183,280
Cash Flows from Noncapital Financing Activities:			
Transfers In (Out)	(19,078)	(557)	(19,635)
Net Cash Provided (Used) by Noncapital Financing Activities	(19,078)	(557)	(19,635)
Cash Flows from Capital and Related Financing Activities:			
Proceeds From Capital Debt	-	3,673	3,673
Proceeds From Capital Grants	-	293,681	293,681
Purchases of Capital Assets	(15,940)	(297,841)	(313,781)
Principal Paid on Capital Debt	-	(33,019)	(33,019)
Interest Paid on Capital Debt	-	(44,588)	(44,588)
Other Receipts (Payments)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,940)	(78,094)	(94,034)
Cash Flows From Investing Activities:			
Interest and Dividends	-	9,780	9,780
Net Cash Provided (Used) by Investing Activities	-	9,780	9,780
Net Increase (Decrease) In Cash Cash Equivalents	(5,387)	84,778	79,391
Cash and Cash Equivalents--Beginning	15,443	254,446	269,889
Cash and Cash Equivalents--Ending	\$ 10,056	\$ 339,224	\$ 349,280
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 29,584	\$ 47,287	\$ 76,871
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,791	100,463	107,254
Provision for Uncollectible Accounts	-	2,744	2,744
Change in Assets and Liabilities:			
Accounts Receivable	(8,566)	2,667	(5,899)
Accounts Payable	1,822	(227)	1,595
Accrued Compensated Absences	-	(786)	(786)
Customer Deposits	-	1,501	1,501
Net Cash Provided (Used) by Operating Activities	\$ 29,631	\$ 153,649	\$ 183,280

See Notes to Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nettleton, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, sanitation, water and sewer services and general administrative services.

Government-Wide and Fund Financial Statements

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Nonmajor funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purposes, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds.

City Hall Grant Fund – The City Hall Grant Fund is used to account for grant funds to be used for the specific purposes of constructing and building a new city hall.

Additionally the City reports the following governmental fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. The City Hall Grant Fund is a major fund, all other special revenue funds are non-major funds.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

The City reports the following major proprietary funds:

The Water Fund – This fund is used to account for the City's water treatment and distribution system. This fund is responsible for water delivery to the residents of the City of Nettleton.

The Solid Waste Management Fund – This fund is used to account for the City's garbage collection system. The fund is responsible for garbage collection to the residents of the City of Nettleton.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund and refuse collection charges for the Solid Waste Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Change in Method of Accounting

In 2004, the City implemented GASB Statement No. 34, "Basic Financial Statements— and Management's Discussion and Analysis—of State and Local Governments," which requires a change in format of the financial statements. The new governmental reporting model has the following sections: Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

Due to the implementation of GASB Statement No. 34, the prior year retained earnings and contributed capital for the enterprise funds were restated to reflect the net assets.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Investments

The collateral for the City's deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance the City does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave up to 60 days. The City also allows employees to accumulate comp time. Upon termination, any accumulated comp time will be paid to the employee.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Business Information

The City of Nettleton provides water and sewer services to customers located within the City limits of Nettleton, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements.

NOTE 2 - PROPERTY TAXES

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1st. The City bills and collects its own property taxes, except motor vehicle taxes, and also collects taxes for the Separate School District. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 - FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2004:

Primary Government:

	<u>Balance</u> <u>10-01-03</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9-30-04</u>
Capital Assets, not being depreciated:				
Land	\$ 30,763	\$ 0	\$ 0	\$ 30,763
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	30,763	0	0	30,763
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	297,280	324,981	(16,845)	605,416
Machinery and Equipment	<u>609,676</u>	<u>104,577</u>	<u>0</u>	<u>714,253</u>
Total Capital Assets being depreciated	906,956	429,558	(16,845)	1,319,669
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(74,863)	(6,663)	13,476	(68,050)
Machinery and Equipment	<u>(410,140)</u>	<u>(77,177)</u>	<u>0</u>	<u>(487,317)</u>
Total Accumulated Depreciation	(485,003)	(83,840)	13,476	(555,367)
Total Capital Assets, depreciated, net Governmental Activities	<u>421,953</u>	<u>345,718</u>	<u>(3,369)</u>	<u>764,302</u>
Capital Assets, net	<u>\$ 452,716</u>	<u>\$ 345,718</u>	<u>\$ (3,369)</u>	<u>\$ 795,065</u>

The City adopted a capitalization threshold of \$500 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2004; therefore, the beginning balances for Plant, Buildings, & Improvements and Machinery & Equipment have been adjusted by \$297,280 and \$609,676, respectively. The beginning accumulated depreciation balances have been adjusted to reflect the City's new capitalization policy.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 - FIXED ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2004 follows:

	<u>Balance</u> <u>10-01-03</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9-30-04</u>
Capital Assets, not being depreciated:				
Land	\$ 27,160	\$ 1,000	\$ 0	\$ 28,160
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	27,160	1,000	0	28,160
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	3,466,100	298,129	0	3,764,229
Machinery and Equipment	<u>389,731</u>	<u>15,940</u>	<u>0</u>	<u>405,671</u>
Total Capital Assets being depreciated	3,855,831	314,069	0	4,169,900
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,100,557)	(81,451)	0	(1,182,008)
Machinery and Equipment	<u>(276,617)</u>	<u>(25,804)</u>	<u>0</u>	<u>(302,421)</u>
Total Accumulated Depreciation	<u>(1,377,174)</u>	<u>(107,255)</u>	<u>0</u>	<u>(1,484,429)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>2,478,657</u>	<u>206,814</u>	<u>0</u>	<u>2,685,471</u>
Capital Assets, net	<u>\$ 2,505,817</u>	<u>\$ 207,814</u>	<u>\$ 0</u>	<u>\$ 2,713,631</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 9,269
Public Safety	71,448
Public Works	1,195
Culture & Recreation	<u>1,928</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 83,840</u>